

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NO. 2006-171-WS - ORDER NO. 2006-497

AUGUST 23, 2006

IN RE: Application of Carolina Water Service, Inc. for	)	ORDER GRANTING
Approval of the Transfer of its Water and	)	CERTIFICATE AND
Sewer Systems and Territory Serving the	)	APPROVING SALE AND
Kings Grant, Plantation Ridge, and Teal on the	)	TRANSFER
Ashley Subdivisions in Dorchester County to	)	
the County of Dorchester.	)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Carolina Water Service, Inc. (CWS or the Company) for approval of the transfer of its water and sewer systems and territory serving the Kings Grant, Plantation Ridge, and Teal on the Ashley (Teal) Subdivisions in Dorchester County to the County of Dorchester. The request for approval is made pursuant to S.C. Code Ann. Section 58-5-210 (1976) and 26 S.C. Code Ann. Regs. 103-504 and 103-704 (Supp. 2005).

Pursuant to the instructions of the Commission's Docketing Department, the Company published a Notice of Filing in newspapers of general circulation in the Company's service area which outlined the Company's Application. Similarly, a Notice of Filing was supplied to each customer. No Protests or Petitions to Intervene were filed. Because no Protests or Petitions to Intervene were filed, and because the Office of Regulatory Staff (ORS) filed a letter stating its non-opposition to the Application, we hold that the Commission meeting of August 16, 2006, shall constitute the "due hearing"

required under 26 S.C. Code Ann. Regs. 103-504 and 103-704 (Supp. 2005), and we will proceed to rule on the Application.

The Company's Application states that it is currently operating its wastewater treatment facility (WWTF) in Teal pursuant to a national pollutant discharge elimination system (NPDES) permit issued by the South Carolina Department of Health and Environmental Control (DHEC), which has expired, but which DHEC has allowed to remain in effect, pending completion of certain plant upgrades required as a result of the total maximum daily load (TMDL) study of the Ashley River. The upgrades to the Teal WWTF are estimated to require \$350,000 in additional capital expenditures. CWS's NPDES permit for the Kings Grant WWTF, which serves both Kings Grant and Plantation Ridge, expires in September, 2006, and DHEC has indicated that plant upgrades for that facility will be required as the result of the TMDL study in the amount of \$1,250,000 in capital expenditures. The Company would attempt to pass through the cost of the upgrades to the Kings Grant and Teal WWTFs to customers in rates. The Kings Grant and Teal WWTFs have current discharge capacities of 238,000 gallons per day (GPD) and 30,000 GPD, respectively. By contrast, Dorchester County operates a 4 million gallon per day (MGD) WWTF and has the capacity available to absorb the wastewater flow from Kings Grant, Plantation Ridge, and Teal currently treated by CWS. Dorchester County provides water service to portions of itself. CWS currently serves only thirty-four (34) water customers in Teal.

In light of these circumstances, CWS and Dorchester County have negotiated a contract (the Agreement) whereby the County will, subject to the approval of this

Commission and DHEC, acquire all of the sewer utility system facilities and territory presently held by CWS in Kings Grant, Plantation Ridge, and Teal, and all of the water utility system facilities and territory presently held by CWS in Teal.

The Company notes that if this Application is granted, all of CWS's Dorchester County water and sewer customers will become customers of the County, and CWS will no longer have an authorized service territory in Dorchester County. CWS's customers in Kings Grant, Plantation Ridge, and Teal will initially be charged for water and sewer service in accordance with the County's presently approved rate schedule. According to the Company, the application of the County's current sewer rates to CWS's Kings Grant, Plantation Ridge, and Teal customers, and the application of the County's current water rates to CWS's Teal customers will result in a decrease in monthly service charges to these customers.

CWS states its belief that the proposed transfer is in the public interest, since the CWS sewer customers in Kings Grant, Plantation Ridge, and Teal will experience a decrease in rates, and will avoid higher rates which would result from upgrades to the CWS WWTFs. Additionally, discharges into the Ashley River will be eliminated. Further, Teal water customers will experience a reduction in rates.

The closing of the agreement is expressly contingent, among other things, upon CWS obtaining the approval of this Commission to transfer its aforementioned water and sewer facilities in Dorchester County and territory to the County. No transfer of any assets has occurred, nor shall any such transfer occur, unless and until such approval is obtained.

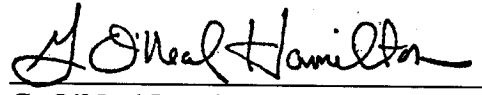
CWS submits that it is in the best interest of the customers within CWS's Dorchester County service areas and in the best interest of the public that this Commission approve the transfer described in the Application.

26 S.C. Code Ann. Regs. 103-504 and 103-704 (Supp. 2005) both require that a utility must obtain a certificate from this Commission that the sale of any of its utility systems is in the public interest. After due consideration of this matter, and an examination of the Asset Purchase Agreement, there is no question that the requisite certificate should be granted in this case. The proposed sale is clearly in the public interest. As pointed out by the Company, the Company's sewer customers in Kings Grant, Plantation Ridge, and Teal will experience a decrease in rates after the sale. The Company's water customers in Teal will also experience a rate decrease. Further, these sewer customers will be able to avoid higher rates that could result from CWS having to upgrade its facilities. In addition, discharges into the Ashley River will be eliminated.

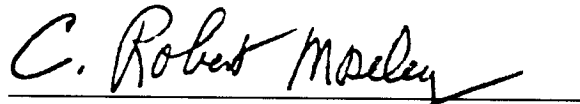
Accordingly, we grant the certificate that the sale is in the public interest, and approve said sale and transfer.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
G. O'Neal Hamilton, Chairman

ATTEST:

  
C. Robert Moseley, Vice Chairman

(SEAL)